TRANSCRIPT OF RECORD

Supreme Court of the United States

OCTOBER TERM, 1961

No. 244

DAIRY QUEEN, INC., PETITIONER,

vs.

HON. HAROLD K. WOOD, JUDGE, ET AL.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

PETITION FOR CERTIORARI FILED JULY 21, 1961
CERTIORARI GRANTED OCTOBER 16, 1961

SUPREME COURT OF THE UNITED STATES

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INDEX

RECORD PRESS, PRINTERS, NEW YORK, N. Y., NOVEMBER 6, 1961

[fol. 1]

IN THE
UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

DAIRY QUEEN, INC., a corporation, Petitioner,

vs.

THE HON. HAROLD K. WOOD, Judge of the United States District Court of the Eastern District of Pennsylvania, Respondent.

PETITION FOR WRIT OF MANDAMUS—Filed June 12, 1961

To the Honorable, the Judges of the United States Court of Appeals, Third Circuit:

Comes now Dairy Queen, Inc., the Petitioner above named, and respectfully applies for a writ of mandamus and submits the following facts and documents to support the issuance of the said writ of mandamus:

1. Jurisdiction of this Court of the instant petition for writ of mandamus arises under 28 U.S.C.A. 1651. (*Beacon Theatres, Inc.* v. *Westover,* 359 U.S. 500, 79 S.Ct. 948, 957)

2. A. Respondent is The Honorable Harold K. Wood, Judge of the United States District Court for the Eastern District of Pennsylvania.

B. The real parties in interest are H. A. McCullough and H. F. McCullough, a partnership, doing business as McCullough's Dairy Queen, herein called "McCullough", and Dairy Queen, Inc., herein called "Petitioner".

[fol. 2] 3. On November 21, 1960, McCullough filed its Complaint as a civil action, No. 28876, in the United States District Court for the Eastern District of Pennsylvania, in which there was included second-named plaintiffs not herein involved, recited as Burton F. Myers, Robert J. Rydeen, M. E. Montgomery and Lorraine Dale, Executrix

of the Estate of Howard S. Dale, deceased. A true and correct copy of the Complaint is hereto attached and marked Exhibit "A".

4. The Complaint of McCullough made the following allegations:

A. Jurisdiction was founded on diversity of citizenship of the parties and an amount in controversy exceeding the sum of $10,000.

B. McCullough, together with a predecessor, originated the name "Dairy Queen" in 1940 and to December 30, 1946, used the name in connection with the sale by them in the continental United States of a frozen dairy product made in accordance with a special formula. On January 2, 1947, McCullough registered the trademark "Dairy Queen" in Pennsylvania as a frozen dairy product, which registration has since been renewed and is current.

C. McCullough licensed persons throughout the United States to use its trademark "Dairy Queen", supplied plans and specifications of a distinctive prototype building displaying the name "Dairy Queen", spent large sums of money advertising and promoting the name "Dairy Queen" throughout the United States, devoted substantial amounts of its time to the inspection of "Dairy Queen" franchise stores operating throughout the United States in order to insure uniformity and quality of the product sold as "Dairy Queen", and as a result of other efforts and expen- [fol. 3] ditures of time and money established the name "Dairy Queen" in the minds of the consuming public with a uniform product of consistently high quality sold only at clean and attractive stores of uniform design.

D. (1) By written agreement dated October 18, 1949, herein called "territory agreement", McCullough granted to the second-named plaintiffs a franchise for the exclusive right to use the trademark "Dairy Queen" in certain portions of the Commonwealth of Pennsylvania.

(2) As a result of intervening assignments, Petitioner became the transferee of the said territory agreement on December 23, 1949.

(3) A copy of the said territory agreement is attached to the Complaint as Exhibit "A".

E. Paragraph 4 of the territory agreement recited the total consideration payable for the franchise to use the trade name "Dairy Queen" as follows:

> "4. Pay direct to McCulloughs Dairy Queen (name adopted by First Party), successors or assigns, at his office the sum of One Hundred Fifty Thousand and No/100 Dollars ($150,000.00) in cash as follows:
>
> "(a) $1,000.00 cash, at once.
>
> "(b) $149,000.00 Balance, as soon as possible but payable in not less than the amounts as follows:
>
> "1—50% forthwith of all amounts of sales of franchises or Territorial rights made by second Party under contracts sold by Second Party, and in addition, 50% of the sale value of all said franchise or territorial rights used by Second Party.
>
> "2—The aggregate total amount paid to First Party by Second Party under Subsection 1 above, and this Subsection 2 shall be not less than the amount of $18,625.00 in the year ending October 15, 1950, and in each year ending on October 15th thereafter, until the said total amount of $149,000.00 has been fully paid to First Party as provided under this section (b) of paragraph 4."

[fol. 4] F. It was alleged that Petitioner "for a number of years" had ceased paying the aforesaid fifty per cent of franchises sold as well as the annual minimum payments.

G. Paragraph 14 of the Complaint is as follows:

> "14. Defendant (Petitioner) is in *default** to McCullough's Dairy Queen *under the said contract*, 'Exhibit A', in excess of $60,000.00."

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* Emphasis throughout supplied.

H. On *August 26, 1960*, McCullough notified Petitioner by letter, a copy of which is attached to the Complaint and marked Exhibit "C", as follows:

"August 26, 1960

"Dairy Queen, Inc.
"Route 10, Box 80
"Olympia, Washington

"Gentlemen:

"This letter is to advise you that your failure to pay *the amounts required in your contract* with McCullough's Dairy Queen for the 'Dairy Queen' franchise for the State of Pennsylvania, as called for *in your contract* with your assignors, constitutes in our opinion a material breach of that contract.

"This will advise you that unless this material breach is completely satisfied for the *amount due and owing*, your franchise for 'Dairy Queen' in Pennsylvania is hereby cancelled.

"Copies of this letter are being sent to your assignors.

"Very truly yours,

"Owen J. Ooms"

1. There were three separate prayers for relief:

(1) An injunction to restrain Petitioner from using in any wise or manner the trademark "Dairy Queen".

[fol. 5] (2) "Ordering an accounting to determine the exact amount of money *owing by defendant* to McCullough's Dairy Queen, and thereafter entering judgment in favor of McCullough's Dairy Queen and against defendant in such amount."

(3) An injunction to restrain Petitioner from collecting sums payable to it in the conduct of its Dairy Queen franchise and requiring said sums to be paid into the registry of the court.

5. On March 1, 1961, Petitioner filed its pleading entitled Answer and New Matter, Exhibit "B" hereto attached, and alleged the following defenses:

A. That on or about January *of 1955* the parties had entered into an oral agreement modifying the manner in which the balance of the total consideration of $150,000 was to be paid, in that effective with October 15, 1954, the obligation of Petitioner to make the aggregate annual payment of $18,625 was no longer required but that thereafter Petitioner would pay McCullough fifty per cent of the proceeds received from the sale of sublicenses made under the said agreement. It was further alleged that pursuant to the said oral arrangement and modification agreement Petitioner had paid to the plaintiffs the amounts which represented fifty per cent of the proceeds of the said license as follows:

December 29, 1956	$5,000.00
April 20, 1959	5,000.00
January 7, 1960	2,887.50
September 30, 1960	3,970.20*

[fol. 6] B. That McCullough was barred from the relief prayed for by virtue of:

(1) The misuse and continued misuse of the Dairy Queen trademark because McCullough had conspired with others throughout the United States to extend the payment of royalties for the use of a patented freezer which had been licensed under the said agreement of October 18, 1949, beyond the expiration date of said patent.

(2) By compelling Petitioner to use the patented freezer and to purchase it solely through McCullough, and by conspiring with the manufacturers of the freezer so that sales would be made only to those licensed by McCullough under the Dairy Queen trademark.

(3) By virtue of violations and continued violations of the anti-trust laws of the United States in participating in

---

* In the record filed in this Court at No. 13,522, which was an appeal from an Order in the instant case granting a preliminary injunction, at Page 97a there appears a photocopy of the ledger sheet of McCullough which indicates that as of January 7, 1960, the balance due was $61,354.37. The additional payment of September 30, 1960, has reduced this balance to $57,384.17.

a conspiracy to restrain competition in the manufacture and sale of the patented freezer.

C. That McCullough had been guilty of laches.

D. That McCullough was estopped from declaring a breach of the contract because it had knowledge of the breach on October 16, 1954, and permitted the Petitioner to spend upward of $300,000 in the further development of the franchise territory thereafter.

6. Petitioner demanded, by inclusion in the pleading and endorsement thereon, a jury trial.

7. A. On the 9th day of March, 1961, McCullough caused to be filed a Motion to strike the Petitioner's demand for a trial by jury and in support thereof assigned the following reasons:

> [fol. 7] "1. The pleading referred to above is not and was not properly filed in the District Court, in that when it was filed, the record in the case had already been transmitted to the United States Court of Appeals for the Third Circuit, and had been there docketed.
>
> "2. Under Rule 38 of the Federal Rules of Civil Procedure, defendant's demand for a jury trial is untimely.
>
> "3. In any event, the issues herein are not triable of right by a jury. Hence, under Rule 38, defendant is not entitled to a jury trial with respect thereto." (A copy is hereto attached and marked Exhibit "C")

B. McCullough's Motion was subsequently argued before the Honorable Harold K. Wood on the 9th day of May, 1961, subsequent to which on June 1, 1961, the following Order was made:

> "And now, to wit, this 1st day of June, 1961, It Is Ordered that the plaintiffs' motion to strike the defendant's demand for a trial by jury is hereby Granted. This action is to be heard on the merits by

the Court sitting without a jury on June 27, 1961, at 10 a.m."

7. The Order was accompanied by a Memorandum of Judge Wood, a copy of which is hereto attached and marked Exhibit "D".

8. A. The ground stated by the Honorable Harold K. Wood, respondent, was in essence that:

"... the nature of the plaintiffs' case is purely equitable"

either as:

(1) " . . . a claim for relief for infringement of a trademark" . . .

(2) " . . . a prayer to set aside the licensing agreement and restore to the plaintiffs their exclusive right to the use of the trademark 'Dairy Queen' in Pennsylvania . . . "

(3) " . . . a claim to injunctive relief coupled with an incidental claim for damages, . . . "

[fol. 8] B. It was further stated that:

"... Incidental to this relief, the Complaint also demands the $60,000 now allegedly *due and owing* plaintiffs *under the aforesaid contract.*",

and:

"... if a complaint sought damages for breach of a contract, the issues in the case would clearly be legal and the plaintiff or defendant would be entitled to a jury trial of those issues. . . . "

9. A. It is respectfully represented that McCullough's claim, which it contended matured by the notice of August 26, 1960, was an action at law to recover a balance due under the territory agreement between the parties, and that the Order of the Honorable Harold K. Wood, Respondent, unlawfully deprived Petitioner of the right to a jury

trial of said issue under the Seventh Amendment to the Constitution of the United States.

B. In addition, the aforesaid Order of June 1, 1961, striking Petitioner's demand for trial by jury unlawfully deprived Petitioner of the right to jury trial under the Seventh Amendment to the Constitution of the United States in its defenses raised by "Answer and New Matter" as to whether or not there had been a parol modification of that portion of the territory agreement which amended the requirement for the annual minimum payment; as to whether or not McCullough was chargeable with violations of the anti-trust laws of the United States.

10. A. Petitioner respectfully represents that if the instant case is tried without a jury it will be put to difficulties insurmountable, and under the principles of res judicata and the law of the case a prior determination by the trial judge will bar a subsequent jury determination of the issues which are common to both the equitable and common law actions asserted in the Complaint.

[fol. 9] B. It is further respectfully represented that in a trial with a jury, the jury could determine whether the territory agreement was modified as asserted by Petitioner, and that this determination would either settle the entire cause of action or become the basis for a decision by the trial judge of the equitable cause of action.

11. Accompanying this Petition is a Memorandum in support hereof.

12. Petitioner has no speedy or adequate remedy in the ordinary course of law.

13. Wherefore, Petitioner respectfully prays:

A. That an alternative writ of mandate be issued out of and under the seal of this Court directed to and commanding the Honorable Harold K. Wood, Respondent:

(1) To vacate his Order striking Petitioner's demand for a jury trial as to the Complaint and Answer; and

(2) Specifying that the issue to be tried to the jury shall be the question as to whether or not there is due McCullough any portion of the sum of $60,000 claimed by it under the provisions of the territory agreement or whether or not there has been any default by Petitioner of the agreement between the parties as it may be found to exist.

B. That upon the return of the alternative writ and the hearing upon the Order to show cause a peremptory writ of [fol. 10] mandamus be issued to the Honorable Harold K. Wood, Respondent, commanding and directing him as herein prayed.

C. That the Court grant such further relief as may be appropriate in the premises.

Michael H. Egnal, Esq., 1315 Walnut Street, Philadelphia 7, Pennsylvania, Attorney for Petitioner.

[fol. 11] *Duly Sworn to by Michael H. Egnal jurat omitted in printing.*

[fol. 12]

EXHIBIT "A" TO PETITION

COMPLAINT.

Plaintiffs, H. A. McCullough and H. F. McCullough, doing business as McCullough's Dairy Queen (hereinafter sometimes referred to as "McCullough's Dairy Queen"), allege as follows:

1. Plaintiffs, H. A. McCullough and H. F. McCullough, are a partnership doing business as McCullough's Dairy Queen, and have a place of business at Moline, Illinois. Plaintiff Burton F. Myers, an individual, is a citizen of the State of Minnesota, residing at St. Paul, Minnesota. Plaintiff Robert J. Rydeen, an individual, is a citizen of the State of Minnesota, residing in St. Paul, Minnesota. Plaintiff M. E. Montgomery, an individual, is a citizen of the State of Arizona, residing in Tucson, Arizona. Plaintiff Lorraine Dale, Executrix of the Estate of Howard S. Dale,

deceased, is a citizen of the State of Minnesota, residing in Minneapolis, Minnesota.

2. Defendant, Dairy Queen, Inc., is a corporation organized and existing under the laws of the State of Washington, which is registered to do business in the Commonwealth of Pennsylvania and has an office and place of business within this District.

3. Jurisdiction of the within matter is founded on diversity of citizenship of the parties and the amount in controversy in this action exceeds the sum of $10,000, exclusive of interest and costs.

4. Said H. A. McCullough, together with a former partner of plaintiff, originated the name "DAIRY QUEEN" in 1940, and from that date to December 30, 1946, used said name in connection with the sale by them, or by others franchised by them, of a frozen dairy product made in accordance with a special formula developed by McCullough's Dairy Queen's predecessor, in the continental United States. On January 2, 1947, H. A. McCullough, under the name of McCullough's Dairy Queen, registered the trademark [fol. 13] "DAIRY QUEEN" for a frozen dairy product in Pennsylvania, which registration has since been renewed and is current and subsisting and has been and is still the property of McCullough's Dairy Queen.

5. McCullough's Dairy Queen has franchised and licensed persons to use its trademark "DAIRY QUEEN" throughout the United States and the Commonwealth of Pennsylvania through state and district operators.

6. McCullough's Dairy Queen and its predecessors have had prepared, under their direction and supervision, plans and specifications of a distinctive prototype building, on which the name "DAIRY QUEEN" is prominently displayed, to be used by all "DAIRY QUEEN" retail stores. They have supplied blueprint copies of these plans and specifications to each state or district franchise operator throughout the United States, to be delivered by them to each of the store franchise operators in their territory to be used by them in the construction of the store buildings

in which the frozen dairy product known as "DAIRY QUEEN" is sold. The district or state franchise operators have so delivered these copies of plans and specifications and the store franchise operators have so used these plans and specifications. Every one of the more than three thousand (3,000) "DAIRY QUEEN" stores throughout the United States has been built on the basis of these plans and specifications developed and distributed by McCullough's Dairy Queen and its predecessors, and as a result each "DAIRY QUEEN" store presents a distinctive appearance.

7. McCullough's Dairy Queen has spent large sums of money advertising and promoting the name "DAIRY QUEEN" throughout the United States and to the consumer public throughout the United States. McCullough's Dairy Queen has also spent large sums of money and has devoted substantial amounts of its time to the inspection of "DAIRY QUEEN" franchise stores operating throughout the United States in order to insure that the uniformity and quality [fol. 14] of the product sold as "DAIRY QUEEN" is maintained and to insure that the stores themselves are kept clean and attractive. Further, McCullough's Dairy Queen has spent substantial amounts of time and money in the development and improvement and inspection of machines used in the sale of "DAIRY QUEEN" so as to maintain and improve the quality of the frozen dairy product sold at "DAIRY QUEEN" franchise stores; in the development of methods of improving the quality, taste and uniformity of the product sold as "DAIRY QUEEN" by local store franchise operators throughout the United States; the development of uniform designs and markings for containers in which the product is sold to the public; and in the training and education of store franchise operators and their employees in the proper operation of local stores for the sale of the frozen dairy product known as "DAIRY QUEEN". By reason of McCullough's Dairy Queen's efforts and expenditures of money, the name "DAIRY QUEEN" has become associated in the minds of the consuming public with a uniform product of consistently high quality sold only at clean and attractive stores of uniform design operated by persons following substantially identical sales and operating methods, and the consuming public throughout the United States now regards all arti-

cles sold under the name "DAIRY QUEEN" as the products of one organization.

8. On October 18, 1949, McCullough's Dairy Queen's predecessors, namely a partnership consisting of H. A. McCullough, H. F. McCullough and J. F. McCullough, entered into an agreement with Messrs. Burton F. Myers, Robert J. Rydeen, M. E. Montgomery and Howard S. Dale, decedent of plaintiff Lorraine Dale herein, for the exclusive right to use the trademark "DAIRY QUEEN", among other things, in certain portions of the Commonwealth of Pennsylvania in consideration of the payment of certain sums, and providing for reversion to them in the event of default, and that the title to the territory granted remain vested in the McCulloughs, and also reserving the right to the [fol. 15] trademark "DAIRY QUEEN" in the Commonwealth of Pennsylvania, except as specifically granted in separate agreements. A copy of the aforesaid agreement of October 18, 1949, is attached hereto and made a part hereof and marked as "Exhibit A".

9. On November 29, 1949, all of the rights granted in the contract of October 18, 1949, were assigned and transferred over to third parties, not here important, and on December 23, 1949, the October 18, 1949 agreement was assigned and transferred over to the defendant, Dairy Queen, Inc. A copy of the aforesaid assignment and transfer of December 23, 1949, is attached hereto and made a part hereof and marked as "Exhibit B". In this document defendant assumed the performance of all obligations to McCullough's Dairy Queen set forth in the October 18, 1949 agreement.

10. In the October 18, 1949, agreement, defendant's predecessors agreed to pay four cents (4¢) a gallon on all mix used or sold through any and all "DAIRY QUEEN" stores, the said payment to be made to Ar-Tik Systems, Inc., of Miami, Florida, and the defendant's predecessors further agreed to pay to McCullough's Dairy Queen the sum of $150,000.00 with a small partial initial payment and the remaining payments to be made at 50% of all amounts on sales of franchises or territorial rights made by defen-

dant and its predecessors, or 50% of the sale value of all franchise or territorial rights used by defendant's predecessors, the said $150,000.00 payment to be completed within a certain period of time, all as set forth in said contract.

11. Defendant respected said agreement of October 18, 1949, and made the payment of four cents (4¢) a gallon for a number of years and has made some payments in accordance with the said contract on the sale price of $150,000.00.

12. Defendant has, for a number of years, ceased paying the aforesaid 50% of the value of all franchises sold or [fol. 16] used by defendant as required in the contract, "Exhibit A", as well as to make certain annual minimum payments, although since that date defendant has continued to receive money from the sale of such franchises and has continued to have the benefit of use of certain territories, all of which has unjustly enriched defendant and constitutes a material breach of said contract.

13. McCullough's Dairy Queen, on information and belief, has been informed that defendant is in a precarious financial condition which has led McCullough's Dairy Queen to believe that unless defendant is enjoined by this Court, McCullough's Dairy Queen may lose, through bankruptcy or other action of defendant, its rights to money that has previously been collected and/or may hereafter be collected by defendant for the benefit of McCullough's Dairy Queen. Furthermore, McCullough's Dairy Queen fears that the operation of "DAIRY QUEEN" stores in defendant's territory as set forth in the said contract, "Exhibit A", will be in jeopardy and not in accordance with standards required in the said contract, unless defendant is enjoined as hereinafter provided; which operation of the stores in defendant's territory, initiated and promoted by McCullough's Dairy Queen, is important from the standpoint of the nationwide reputation of "DAIRY QUEEN" stores.

14. Defendant is in default to McCullough's Dairy Queen under the said contract, "Exhibit A", in excess of $60,000.00.

15. McCullough's Dairy Queen, on information and belief, has further been informed that defendant, by reason of its failure to pay the 4¢ per gallon to Ar-Tik Systems, Inc., hereinbefore referred to, has been sued by Ar-Tik Systems, Inc.; and that said suit on September 13, 1960, resulted in an adjudication by the United States District Court for the Eastern District of Pennsylvania which, when liquidated by judgment, will result in defendant's liability to Ar-Tik Systems, Inc., in an amount in excess of [fol. 17] $100,000.00, as nearly as the same can presently be estimated. This leads McCullough's Dairy Queen to believe that unless defendant is enjoined by this Court, McCullough's Dairy Queen may lose, through bankruptcy or other action of defendant, the rights to money that has previously been collected by defendant for the benefit of McCullough's Dairy Queen.

16. By reason of the aforesaid, in accordance with paragraph nine of "Exhibit A", McCullough's Dairy Queen, on August 26, 1960, notified defendant by letter that defendant had been guilty of a material breach of the said contract; and that unless defendant cured its breach, its Dairy Queen franchise was cancelled. A copy of the aforementioned letter is attached hereto and made a part hereof, marked "Exhibit C". Defendant has not cured its default since the date of the aforesaid notice letter. McCullough's Dairy Queen, on information and belief, is further informed that defendant is contesting the right of McCullough's Dairy Queen to cancel its franchise agreement.

17. Subsequent to the notice letter referred to in paragraph sixteen, above, and following the cancellation of defendant's franchise accomplished thereby, defendant nevertheless continued, is continuing and threatens to continue to operate and to license others or franchise others to operate the Dairy Queen franchise in the pertinent Commonwealth of Pennsylvania territory, and to conduct business with the Dairy Queen stores and all other Dairy Queen business as an authorized and licensed Dairy Queen operator, all of which is in violation of the aforesaid cancellation and constitutes infringement by defendant of McCullough's Dairy Queen's trademark "Dairy Queen".

18. In all of the foregoing premises, McCullough's Dairy Queen is threatened with immediate and irreparable injury and loss and McCullough's Dairy Queen has no adequate remedy at law.

[fol. 18] WHEREFORE, McCullough's Dairy Queen prays that this Honorable Court shall issue a preliminary injunction and, after a final hearing thereon, issue a permanent injunction:

(A) Enjoining defendant, its officers, directors, servants, agents, employees, and all those acting by and under them, or in privity with them, or in concert with them from

1. Using or licensing others to use McCullough's Dairy Queen trade mark "DAIRY QUEEN";

2. Holding themselves out as an authorized "DAIRY QUEEN" operator;

3. Conducting any business operations in the manner and/or style of a "DAIRY QUEEN" operator;

4. Otherwise unfairly competing with McCullough's Dairy Queen and/or its other operators in the Commonwealth of Pennsylvania.

(B) Ordering an accounting to determine the exact amount of money owing by defendant to McCullough's Dairy Queen, and thereafter entering judgment in favor of McCullough's Dairy Queen and against defendant in such amount;

(C) Pending an accounting hereunder, enjoining defendant, its officers, directors, servants, agents, employees, and all those acting by and under them, or in privity with them, or in concert with them, from collecting any and all sums of money from Dairy Queen operators and mix plants and further requiring defendant through an authorized officer to advise and instruct Dairy Queen store operators and Dairy Queen mix suppliers to pay over any and all sums of money collected or to be collected, by way of royalty from the Dairy Queen stores into the registry of this Honorable

[fol. 19] Court, there to await such disposition as this Honorable Court may further direct.

And, McCullough's Dairy Queen further prays that it may have such other and further relief as may seem just in the premises to this Honorable Court, together with attorneys' fees, interest and costs.

Plaintiffs Burton F. Myers, Robert J. Rydeen, M. E. Montgomery and Lorraine Dale, for their cause of action, allege as follows:

19. Plaintiffs Myers, Rydeen, Montgomery and Dale reallege and reiterate paragraphs one through eighteen of the foregoing complaint as though fully set forth herein.

20. By reason of defendant's default under "Exhibit A", plaintiffs Myers, Rydeen, Montgomery and Dale are liable to McCullough's Dairy Queen in the event that defendant cannot meet the obligations imposed upon it by "Exhibit A"; and defendant will then also be liable to plaintiffs Myers, Rydeen, Montgomery and Dale, in the same amount.

21. Plaintiffs Myers, Rydeen, Montgomery and Howard S. Dale, decedent of plaintiff Lorraine Dale herein, entered into an agreement with defendant, dated December 29, 1956, a copy of which is attached hereto and made a part hereof as "Exhibit D", whereby plaintiffs Myers, Rydeen, Montgomery and Dale are entitled to receive certain royalties from the "Dairy Queen" operations under the franchise agreement of "Exhibit A", which amounts are threatened to be extinguished by reason of defendant's breach of the contract, "Exhibit A" and the consequent cancellation thereof by McCullough's Dairy Queen.

22. Defendant is presently in separate default under "Exhibit D" in that it has failed to pay to plaintiffs Myers, Rydeen, Montgomery and Dale all of the amounts of money thereunder due and owing to them during the year 1960.

23. By reason of all of the foregoing, the business interests of plaintiffs Burton F. Myers, Robert J. Rydeen, [fol. 20] M. E. Montgomery and Lorraine Dale under the

aforesaid contracts are threatened with immediate and irreparable damage and loss, and will be so threatened, as to all of which plaintiffs Myers, Rydeen, Montgomery and Dale have no adequate remedy at law, unless defendant is removed as the authorized Dairy Queen operator; is made to account for monies due and owing McCullough's Dairy Queen and plaintiffs Myers, Rydeen, Montgomery and Dale; and is required to pay and/or compel payment of any future royalties received into the registry of this Honorable Court.

WHEREFORE, plaintiffs Burton F. Myers, Robert J. Rydeen, M. E. Montgomery and Lorraine Dale pray that this Honorable Court shall favorably entertain the application for relief made hereinabove by plaintiff McCullough's Dairy Queen; and join in the several prayers for relief as heretofore made by McCullough's Dairy Queen.

KRUSEN, EVANS & SHAW,
By MARK D. ALSPACH,
Attorneys for Plaintiffs, H. A. McCullough and H. F. McCullough, a partnership d.b.a. McCullough's Dairy Queen.

KRUSEN, EVANS & SHAW,
By MARK D. ALSPACH,
Attorneys for Plaintiffs, Burton F. Myers, Robert J. Rydeen, M. E. Montgomery and Lorraine Dale, Exrx. of Est. of Howard S. Dale, Deceased.

Of Counsel:

OOMS, WELSH AND BRADWAY,
OWEN J. OOMS AND
MALCOLM S. BRADWAY,
One North LaSalle Street,
Chicago 2, Illinois.

[fol. 21]

AFFIDAVIT.

STATE OF
COUNTY OF } ss.:

BURTON F. MYERS, being first duly sworn, deposes and states as follows:

1. I am one of the plaintiffs set forth in the complaint which is attached hereto.

2. I have read the foregoing complaint and know the contents thereof and that as to paragraphs 1, 2, 20, 21, 22 and 23 of the foregoing complaint, I believe those matters therein to be true of my own knowledge.

3. As to the allegations of the remainder of the complaint, I believe them to be true.

Further affiant sayeth not.

BURTON F. MYERS.
Burton F. Myers.

Subscribed and sworn to before me this 27th day of September, 1960.

(Seal)

G. D. SMEDBERG,
Notary Public, Hennepin County, Minn.
My Commission Expires Aug. 17, 1961.

[fol. 22]

AFFIDAVIT.

STATE OF ILLINOIS }
COUNTY OF } ss.:

HUGH F. MCCULLOUGH, being first duly sworn, deposes and states as follows:

1. I am a partner of McCullough's Dairy Queen and I am one of the plaintiff's set forth in the complaint which is attached hereto.

2. I have read the foregoing complaint and know the contents thereof, and that those allegations set forth in the complaint for McCullough's Dairy Queen cause of action are true of his own knowledge, except to those matters alleged on information and belief and as to those matters, I believe them to be true.

3. As to those allegations set forth in the complaint in the cause of action of Burton F. Myers, Robert J. Rydeen, and M. E. Montgomery, I believe them to be true.

Further affiant sayeth not.

HUGH F. MCCULLOUGH.
Hugh F. McCullough.

Subscribed and sworn to before me this 24th day of September, 1960.

(Seal)

BETTY J. GREEN,
Notary Public.

[fol. 23]

EXHIBIT A TO COMPLAINT

FREEZER AND TERRITORY AGREEMENT.

This agreement entered into at Moline, Illinois, this 18th day of October, 1949, by and between

H. A. McCULLOUGH *acting for*
H. A. McCULLOUGH, H. F. McCULLOUGH AND J. F. McCULLOUGH UNDER THE NAME AND STYLE OF McCULLOUGHS DAIRY QUEEN

of the City of Geneseo, County of Henry and the State of Illinois, hereinafter referred to as FIRST PARTY; and

BURTON F. MYERS, ROBERT J. RYDEEN, M. E. MONTGOMERY AND HOWARD DALE
UNDER THE NAME AND STYLE OF DAIRY QUEEN OF PENNSYLVANIA

of the City of St. Paul, County of Ramsey, and the State of Minnesota, hereinafter referred to as SECOND PARTY,

WITNESSETH

WHEREAS, First Party has on file with the Department of State of the State of Pennsylvania, the trade-mark "Dairy Queen" as afforded by such registration, which name shall be used only for a frozen dairy product (known as Dairy Queen) within the State of Pennsylvania.

WHEREAS, the Patent on the Freezing and Dispensing Machine is owned by the Ar-Tik Systems, Inc. of Miami, Florida; Patent Number is 2080971; the rights to manufacture, use, sell, and/or Sub-contract to other parties under said Patent, were granted to H. A. McCullough by the Ar-Tik Systems, Inc.

[fol. 24] WHEREAS, Second Party desires to acquire from First Party rights to develop certain portions of the State of Pennsylvania and rights to use machines manufactured under Patent Number 2080971, and certain rights to the use of the trade-mark "Dairy Queen" within said certain

portions of the State of Pennsylvania as hereinafter provided.

Now Therefore, Second Party being fully advised in the premises hereby offers and upon acceptance hereof by First Party, hereby agrees to do the following:

1. Exclude from this agreement certain areas of Pennsylvania heretofore contracted by First Party to others: County of Allegheny and Cities of Greensburg, Uniontown, Washington, Pottstown, Phoenixville, Bethlehem, West Chester, Coatsville, Norristown, Chester, Reading, Allentown, Easton, and the customary adjacent areas thereto under and for fair trade and competition purposes; and such exclusions shall be recognized throughout this agreement even though, for convenience and brevity, the full name, Pennsylvania, may be used.

2. Take over and conduct the operations of development of the said certain portions of Pennsylvania on October 18, 1949 and thereafter, all at the sole cost, risk, and expense of Second Party.

3. Pay direct, or cause to be paid direct, to Ar-Tik Systems, Inc., 1801 NW 17th Avenue, Miami, Florida, the sum of four cents a gallon on all mix used or sold through any and all Dairy Queen Stores and/or said Freezing and Dispensing Machines operated in Pennsylvania by Second Party and/or their Sub-contractors, from the beginning of operations hereof, in the nature of a royalty regardless of the expiration of patent on said machines. Said payment shall be computed at the end of each months operation for the total number of gallons of mixes used, and remitted by [fol. 25] the tenth day of the following month. Where powdered or concentrated mixes are used, the payment per gallon shall be based upon their equivalent in liquid mix.

4. Pay direct to McCulloughs Dairy Queen, (name adopted by First Party), successors or assigns, at his office the sum of One Hundred Fifty Thousand and No/100 Dollars ($150,000.00) in cash as follows:

(a) $1,000.00 cash, at once.

(b) $149,000.00 Balance, as soon as possible but payable in not less than the amounts as follows:

1—50% forthwith of all amounts of sales of franchises or Territorial rights made by Second Party under contracts sold by Second Party, and in addition, 50% of the sale value of all said franchise or territorial rights used by Second Party.

2—The aggregate total amount paid to First Party by Second Party under Subsection 1 above, and this Subsection 2 shall be not less than the amount of $18,625.00 in the year ending October 15, 1950, and in each year ending on October 15th thereafter, until the said total amount of $149,000.00 has been fully paid to First Party as provided under this section (b) of paragraph 4.

5. Conform and maintain all store operations, in manner and to extent acceptable by First Party or his agents, in sole discretion and opinion of First Party, to the methods and ethics of other Dairy Queen operators and the general provisions of agreements now in force in other States. Included, not by way of limitation, among the said methods are the keeping of records of all mixes used or sold, furnishing to First Party the name and address of each mix supplier, keeping records of the serial numbers and locations of all machines within the State of Pennsylvania; submitting mix reports to First Party and to Ar-Tik [fol. 26] Systems, Inc., showing the serial numbers and locations of the machines covered by said reports. Permit free access of First Party, Ar-Tik Systems, Inc., or any person representing them, to such records for the purpose of determining full compliance with the terms of this agreement.

6. Keep and maintain First Party as a free independent contractor having no partnership or similar interest in the business or operations of Second Party or others, and free and harmless from any and all liability therefrom, including, not by way of limitation, public liability, misdemeanors, legal suits, both domestic and commercial, tax

liens of any kind or nature, that Second Party may be liable for.

7. That the Second Party or any others, shall not sell or offer for sale any other frozen or semi-frozen dairy product, use any other type or make of freezer, or sell any of the said machines, move any of the said machines purchased through First Party outside of the State of Pennsylvania for the purpose of operating them, without first obtaining the written consent and approval of the First Party. The two copies of each sub-contract shall be forwarded to the office of First Party within ten days after it is completed and signed.

8. That Second Party shall order through First Party all of said machines needed for said development, at the manufacturers selling price f.o.b. factory. Said prices may vary from time to time dependent upon costs of material and labor. First Party does not guarantee prices, delivery dates, or furnish parts or labor free of charge on the said machines. Second Party shall take up with manufacturer the matter of any necessary adjustments for unsatisfactory or defective parts or machines. First Party or Second Party shall not be required to assume responsibility for defending Patent Number 2080971, as such defense is an obligation of Ar-Tik Systems, Inc.

[fol. 27] 9. Admit that failure of Second Party to make the payments promptly as required herein and/or any other breach of any of the provisions of this agreement, and declared to Second Party by First Party by thirty days written notice mailed to last known address of Second Party, shall cause any rights of Second Party hereunder to cease and become null and void within said thirty day period, unless default is corrected. It is further understood and agreed that in event this contract is terminated under conditions above described, that rights to all undeveloped territory in the State of Pennsylvania will revert to First Party and balance of any monies due First Party from the sale of sub-franchises by the Second Party, as herein provided, will remain due and payable to them.

10. That the rights hereunder are granted to the Second Party solely for convenience of the First Party in the development of the Pennsylvania territory and that title to said territory, nevertheless, remains vested with the First Party until released in part under contracts sold by Second Party, but subject, nevertheless, to the terms of this agreement; that performance by the Second Party hereunder shall be satisfactory to First Party in all respects; that the right to use the trade-mark "Dairy Queen" in the State of Pennsylvania is reserved to the First Party except as specifically granted by First Party in separate agreements. First Party shall have the irrevocable power and right to pledge, assign, sell, or otherwise transfer his rights under this agreement over to others with or without notice to Second Party.

11. That the Second Party will have the right to subdivide the State of Pennsylvania, for the purposes of this agreement, from time to time among sub-contractors. Second Party represents that it is possessed of the abilities, knowledge, training, and other requisites for the prompt, continuous, and business-like development of the said territory to the end that full payment shall be made to First [fol. 28] Party hereunder and in accordance with the understanding that time is the essence of this contract and agreement for the express purpose of paying in full the amount owing hereunder to First Party. However, if conditions arise that are beyond the control of the Second Party, such as a major war involving the USA, sickness, or disability, then adjustments or amendments between the parties hereto shall be made to recognize such conditions considered necessary.

12. That the maximum charge to all operators within the State of Pennsylvania for the rights to operate Dairy Queen Machines shall not exceed 29¢ a gallon on all of the mixes used or sold by them, unless and until First Party shall approve a higher charge per gallon.

First Party hereby accepts offer made by Second Party by execution of this agreement and

1. In consideration of $1.00 and other good and valuable considerations, in hand paid each to the other, and the mutual promises herein contained, First Party does hereby:

(a) Convey, transfer, grant, bargain, and sell, for the purposes of this agreement, unto Second Party, the following:

I.

An exclusive right to develop the certain territory of the State of Pennsylvania for the restricted conduct of the operation of Dairy Queen Stores, subject to the provisions of offer of Second Party as contained herein.

This agreement shall be binding upon the legal representatives, heirs, and beneficiaries, successors and assigns of the parties hereto.

If any provision of this agreement or the application thereof to any person or circumstances is held invalid, the remainder of this agreement and application of such provi-
[fol. 29] sion to other persons or circumstances shall not be affected thereby.

In Witness Whereof, the parties hereto have set their hands and seals, to this instrument on this 18th day of October 1949 at Moline, Illinois.

McCullough's Dairy Queen

/s/ H. A. McCullough
H. A. McCullough

/s/ H. F. McCullough
H. F. McCullough

Dairy Queen of Pennsylvania

/s/ Burton F. Myers
Burton F. Myers

/s/ M. E. Montgomery
M. E. Montgomery

/s/ Robert J. Rydeen
Robert J. Rydeen

/s/ Howard Dale
Howard Dale

[fol. 30]

EXHIBIT B TO COMPLAINT

ASSIGNMENT

In consideration of the assumption of DAIRY QUEEN, INC., a Washington corporation, of certain obligations as set forth herein, D. C. MARTIN, JR. and EDWARD THOMPSON, hereby transfer and assign to the said Dairy Queen, Inc., all their right, title and interest in that certain agreement dated November 29, 1949 between BURTON F. MYERS, ROBERT J. RYDEEN, M. E. MONTGOMERY and HOWARD DALE, of St. Paul, Minnesota, doing business as "Dairy Queen of Pennsylvania", as first party, and C. D. Martin, Jr. and Edward Thompson as second party.

Dairy Queen, Inc. hereby accepts the assignment of said agreement and does hereby assume and undertake all of the obligations and duties imposed upon C. D. Martin, Jr. and Edward Thompson by the terms of said agreement, and in accordance with the terms thereof the said C. D. Martin, Jr. and Edward Thompson shall have no further personal liability under said agreement.

Dairy Queen, Inc. further agrees to hold the said C. D. Martin, Jr. and Edward Thompson free and harmless against any and all liability whatsoever arising out of or in connection with said agreement.

Dated at Seattle, Washington, this 23rd day of December, 1949.

/s/ C. D. MARTIN, JR.
(C. D. Martin, Jr.)

/s/ EDWARD THOMPSON
(Edward Thompson)

DAIRY QUEEN, INC.

By /s/ C. D. MARTIN, JR.
President

By /s/ EDWARD THOMPSON
Secretary-Treasurer

[fol. 31] The foregoing agreement is hereby accepted this 6th day of Jan., 1950.

/s/ Burton F. Myers
(Burton F. Myers)

/s/ Robert J. Rydeen
(Robert J. Rydeen)

/s/ M. E. Montgomery
(M. E. Montgomery)

/s/ Howard Dale
(Howard Dale)

Doing Business as Dairy Queen of Pennsylvania

Accepted this ——— day of ————, 19——.

McCullough's Dairy Queen

By: .....
(H. A. McCullough)

By: .....
(H. F. McCullough)

[fol. 32]

Exhibit C to Complaint

August 26, 1960

Dairy Queen, Inc.
Route 10, Box 80
Olympia, Washington

Gentlemen:

This letter is to advise you that your failure to pay the amounts required in your contract with McCullough's Dairy Queen for the "Dairy Queen" franchise for the State of Pennsylvania, as called for in your contract with your assignors, constitutes in our opinion a material breach of that contract.

This will advise you that unless this material breach is completely satisfied for the amount due and owing, your

franchise for "Dairy Queen" in Pennsylvania is hereby cancelled.

Copies of this letter are being sent to your assignors.

Very truly yours,

Owen J. Ooms

[fol. 33]

EXHIBIT "B" TO PETITION

IN THE UNITED STATES DISTRICT COURT

FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 28876

H. A. McCULLOUGH and H. F. McCULLOUGH, a partnership doing business as McCULLOUGH'S DAIRY QUEEN

and

BURTON F. MYERS, ROBERT J. RYDEEN, M. E. MONTGOMERY and LORRAINE DALE, Executrix of the Estate of HOWARD S. DALE, Deceased, Individuals

vs.

DAIRY QUEEN, INC.

DEFENDANT'S ANSWER & NEW MATTER

For answer to the paragraphs of the Complaint in the above-entitled cause, the defendant says:

1, 2. Admitted.

3. Denied that the plaintiffs Burton F. Myers, et al. have a claim for an amount in excess of $10,000.00 exclusive of interest and costs. The fact is that the defendant is not indebted to the said plaintiffs for any sums whatsoever.

4-7. Defendant alleges it is without knowledge or information sufficient to form a belief as to the truth of the

allegations contained in Paragraphs 4, 5, 6, 7, 8 and 9 of the Complaint, and, therefore, said allegations are denied.

[fol. 34] 8. The agreement of October 18, 1949, marked Exhibit "A", is admitted.

9. The assignment of December 23, 1949, marked Exhibit "B", is admitted.

10. Denied as stated. It is further alleged that the agreement referred to speaks for itself.

11, 12. Denied as stated. The fact is that the defendant has fully complied with the agreement of October 18, 1949.

13. Denied as stated. It is denied that the plaintiffs H. A. and H. F. McCullough have any claim or title to any funds collected by the defendant. The remaining averments of Paragraph 13 being argumentative and conclusions, no answer is made thereto.

14. Denied. The fact is that the defendant is in full compliance with the contract, Exhibit "A".

15. Denied as stated. The fact is that there has as yet been no final determination of defendant's liability to Ar-Tik Systems, Inc. for payments alleged to be due it under the said agreement marked Exhibit "A". The further fact is that the matter is on appeal in the United States Court of Appeals for this circuit, No. 13447.

[fol. 35] 16. The receipt of the letter marked Exhibit "C" is admitted. It is denied that the defendant was in default. The fact is that it was in full compliance with the said agreement.

17. Denied as stated. It is denied that the effect of the letter marked Exhibit "C" was a cancellation of the defendant's franchise. The fact is that the defendant was in full compliance with the said agreement and for further answer refers to the New Matter hereinafter set forth.

18. A. Denied.

B. It is averred that the Complaint upon which the plaintiffs H. A. McCullough and H. F. McCullough rely

fails to state a claim against the defendant upon which relief can be granted.

19. For answer, defendant refers to its answers to Paragraphs 1 to 18, inclusive.

20. It is denied that the plaintiffs Burton F. Myers et al. have any standing, claim or right as a party plaintiff in the instant action. The averments of Paragraph 20 of the Complaint are conclusions of law and require no specific answer. If it is intended as a claim through the first-named plaintiffs, H. A. McCullough et al., defendant incorporates herein Paragraph 24A, B and C. It is further averred that the averments of the Complaint relied upon by the plaintiffs Burton F. Myers et al. fail to state a claim against the defendant upon which relied can be granted.

[fol. 36] 21. The agreement marked Exhibit "D" is admitted.

22. Denied. The fact is that the defendant is in full compliance with the said agreement marked Exhibit "D".

23. Denied as stated. The fact is that the plaintiffs Burton F. Myers et al. have no claim in law or in equity against the defendant.

And for further defense:

24. A. Plaintiffs are barred from the relief prayed for by virtue of misuse and continued misuse of the "Dairy Queen" trademark by H. A. McCullough, H. F. McCullough and McCullough's Dairy Queen. The misuse which bars plaintiffs from the relief prayed for includes conspiring with others throughout the United States to extend the payment of royalties for the use of an invention covered by a United States patent beyond the expiration date of said patent, and said plaintiffs have participated in the enjoyment of such wrongfully extended royalties and seek to continue doing so. Plaintiffs have also misused said "Dairy Queen" trademark by compelling licensees thereunder to use a particular freezer and to purchase such freezers solely through plaintiffs, and plaintiffs have further misused said "Dairy Queen" trademark by conspiring with freezer manufacturers to restrict the sales of such

freezers only to those licensed by the plaintiffs under their "Dairy Queen" trademark.

[fol. 37] B. Plaintiffs are barred from the relief prayed for by virtue of violations and continued violations of the Antitrust laws of the United States by H. A. McCullough et al. The Antitrust violations which bar plaintiffs from the relief prayed for include conspiring with others to restrain competition in the manufacture and sale of freezer machines throughout the United States.

25. A. Plaintiffs H. A. McCullough and H. F. McCullough seek a forfeiture of the agreement marked Exhibit "A" and attached to the Complaint on the ground that there has been an omission to pay the annual minimum payment of $18,625.00 provided for Paragraph 4b(2). The fact is that this annual minimum payment has not been made since October 16, 1954, and it is averred that the said plaintiffs are barred from asserting this default as a result of

(1) Laches.

(2) Estoppel in that since October 16, 1954, the defendant with the full knowledge of the said plaintiffs has expended upward of $300,000. in the further development of the territory covered by the agreement marked Exhibit "A".

New Matter

26. On or about January of 1955 the plaintiffs H. A. McCullough and H. F. McCullough, acting by their authorized agent, Hugh F. McCullough, and Dean Mohler, acting on behalf of defendant, orally agreed that the agreement marked Exhibit "A" should be modified so that there [fol. 38] would no longer be any obligation on the part of defendant effective with October 15, 1954 for the defendant to make the said annual payment but that thereafter the defendant should pay the plaintiff 50% of the proceeds received by the defendant from the sale of sublicenses made under the said agreement.

27. Pursuant to the said oral arrangement and agreement modification, the defendant paid to and the said

plaintiffs received the sums hereinafter set forth on the dates indicated, representing 50% of the proceeds of the sublicenses made by the defendant:

December 29, 1956	$5,000.00
April 20, 1959	5,000.00
January 7, 1960	2,887.50
September 30, 1960	3,970.20

28. Defendant demands a trial by jury.

/s/ MICHAEL H. EGNAL
Michael H. Egnal,
Attorney for Defendant

Service of a copy of the above Answer on the 1st day of March, 1961, is acknowledged.

KRUSEN, EVANS & SHAW

By /s/ JOHN W. ENNIS, JR.
Attorneys for Plaintiffs

[fol. 39]

EXHIBIT "C" TO PETITION

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA
Civil Action No. 28876

H. A. McCULLOUGH and H. F. McCULLOUGH, a partnership, doing business as McCULLOUGH'S DAIRY QUEEN

and

BURTON F. MYERS, ROBERT J. RYDEEN, M. E. MONTGOMERY and LORRAINE DALE, Executrix of the Estate of HOWARD S. DALE, Deceased, Individuals

vs.

DAIRY QUEEN, INC.

MOTION TO STRIKE DEFENDANT'S DEMAND FOR A TRIAL BY JURY

Plaintiffs, by their attorneys, respectfully represent to this Honorable Court as follows:

1. Heretofore, on March 1, 1961, defendant filed and served upon counsel for plaintiffs a pleading entitled "Defendant's Answer & New Matter".

2. Paragraph twenty-eight of the foregoing pleading reads as follows: "Defendant demands a trial by jury". The backer of the foregoing pleading likewise bears the endorsement "Jury Trial Demanded", signed by counsel for defendant.

Now come plaintiffs and move this Honorable Court to [fol. 40] strike and to set aside defendant's demand for a jury trial, as set forth in paragraph twenty-eight of the pleading referred to above, and in the endorsement on the backer thereof, for the following reasons:

1. The pleading referred to above is not and was not properly filed in the District Court, in that when it was filed, the record in the case had already been transmitted to the United States Court of Appeals for the Third Circuit, and had been there docketed.

2. Under Rule 38 of the Federal Rules of Civil Procedure, defendant's demand for a jury trial is untimely.

3. In any event, the issues herein are not triable of right by a jury. Hence, under Rule 38, defendant is not entitled to a jury trial with respect thereto.

Respectfully submitted,

KRUSEN, EVANS & SHAW

By: /s/ MARK D. ALSPACH

Attorneys for Plaintiffs

[fol. 41]

EXHIBIT "D" TO PETITION

IN THE UNITED STATES DISTRICT COURT

FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 28876

Filed June 1, 1961

H. A. McCULLOUGH and H. F. McCULLOUGH, a partnership, doing business as McCULLOUGH'S DAIRY QUEEN

and

BURTON F. MYERS, ROBERT J. RYDEEN, M. E. MONTGOMERY and LORRAINE DALE, Executrix of the Estate of HOWARD S. DALE, Deceased, Individuals

vs.

DAIRY QUEEN, INC.

MEMORANDUM AND ORDER SUR PLAINTIFFS' MOTION TO STRIKE DEFENDANT'S DEMAND FOR JURY TRIAL

WOOD, J. June 1, 1961

On December 28, 1960, we granted the plaintiffs' motion for a preliminary injunction and filed findings of fact and conclusions of law in support of our order. The factual background of this case is sufficiently set forth in the aforesaid memorandum. Subsequently, the defendant filed its answer to the plaintiffs' complaint and demanded a jury trial. The defendant did not specify the issues on which it demanded a jury trial, and it is consequently up to the Court to determine whether any of the issues in this case as presented by the pleadings to date are of a "legal [fol. 42] nature."

Rule 38 of the Federal Rules of Civil Procedure provides in pertinent part as follows:

"JURY TRIAL OF RIGHT.

"(a) RIGHT PRESERVED. The right of trial by jury as declared by the Seventh Amendment to the Constitution * * * shall be preserved to the parties inviolate."

It is settled law that although the Federal Rules of Civil Procedure provide for "one form of action"—a civil action—, the traditional distinction between legal and equitable actions must be referred to in order to determine a party's right to a jury trial. Although we agree with the defendant that the form of relief sought by the plaintiffs it not necessarily determinative of the question of the defendant's right to a jury trial, nevertheless the form of relief sought in the complaint is an important factor to be considered in characterizing the issues in the case as either equitable or legal. (See Moore's FEDERAL PRACTICE, Vol. 5, p. 158 et seq.) For example, if a complaint sought damages for breach of a contract, the issues in the case would clearly be legal and the plaintiff or defendant would be entitled to a jury trial of those issues. However, if the complaint sought specific performance of the same contract, the issues raised would be equitable in nature and neither the plaintiff nor the defendant would be entitled to a jury trial.

In the case at bar the complaint alleges that the defen- [fol. 43] dant entered into a contract with the plaintiffs in 1949 whereby the plaintiffs licensed the defendant to use the plaintiffs' registered trademark "Dairy Queen" and permitted the defendant to sub-license others to use the trade name. In 1954, it is alleged that the defendant breached the contract by failing to pay to the plaintiffs the minimum yearly sum required thereunder. According to a provision of the contract, the defendant's right to use the plaintiffs' trademark ceased at the time of the defendant's breach. Accordingly, it is alleged that since 1954 the defendant has been infringing the plaintiffs' trademark and has been collecting money in violation of the plaintiffs' rights and will continue to do so unless enjoined by this Court. The complaint seeks, in effect, a declaration that the licensing contract is null and void; an accounting of

profits illegally obtained by the defendant since 1954 to date; and a permanent injunction restraining the defendant from any use of the plaintiffs' trademark "Dairy Queen", and from executing any more sub-license agreements authorizing third-persons to use that trademark. Incidental to this relief, the complaint also demands the $60,000 now allegedly due and owing plaintiffs under the aforesaid contract.

The defendant admits the existence and provisions of the contract, but alleges that prior to the alleged breach, the parties entered into an oral agreement which amounted to a novation (Restatement of the law of Contracts, § 424); that according to the terms of the novation, the defendant is not in breach of the original contract; and that con-[fol. 44] sequently the defendant is not infringing and has not infringed the plaintiffs' trademark. In addition, the defendant alleges that the plaintiffs, because of violations of the antitrust laws, have come into Court with unclean hands and, hence, are not entitled to equitable relief.

As we analyze the issues raised by the complaint and the answer, the nature of the plaintiffs' case is purely equitable.[1] Whether the plaintiffs' claim be viewed as a claim for relief for infringement of a trademark,[2] or a prayer to set aside the licensing agreement and restore to the plaintiffs their exclusive right to the use of the trademark "Dairy Queen" in Pennsylvania,[3] or a claim to in-

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[1] See Moore's FEDERAL PRACTICE, Vol. 5, p. 207, where the author states: "The common law of trademarks is but a part of the broader law of unfair competition. * * * if he so elected, plaintiff could seek injunctive relief, with damages as incidental thereto, and all the issues are equitable in nature, i.e., for the court."

[2] See *Crane Co.* v. *Alonzo H. Crane, et al.*, (N.D.Ga. 1957), 157 F. Supp. 293, where the court held that a complaint alleging that defendants had infringed plaintiff's trademark and plaintiff asked for injunction, accounting, attorneys' fees, costs, and such other relief as the court might deem just, the complaint was one for equitable relief and the issue of damages was incidental, and defendants were not entitled to a jury trial.

[3] See *Greenhood* v. *Orr & Sembower, Inc.*, (D.C. Mass. 1958), 158 F. Supp. 906, where the court held that the relief requested by plaintiff was a declaration that a franchise granted to the de-

[fol. 45] junctive relief coupled with an incidental claim for damages,[4] all issues raised thereby are for the Court's determination.

The remaining question is whether the defendant's answer poses a legal issue on which the defendant is entitled to trial by jury. There is no doubt that a defendant is entitled to a jury trial of an issue legal in nature raised by the answer, even in a case in which the complaint raises only equitable issues. However, in the case at bar, we think that the defendant's answer raises only equitable issues. *Upjohn Co.* v. *Schwartz,* (S.D.N.Y. 1953), 117 F. Supp. 292; and *Folmer Graflex Corp.* v. *Graphic Photo Service, et al* (D.C. Mass. 1941), 41 F.Supp. 319. Therefore, we think neither party has the right to a jury trial of any of the issues raised by the pleadings in this case. However, we reserve judgment on the advisability of the submission to a jury of the question of the amount of damages, if any, due plaintiffs. At the final hearing on the merits, according to the development of the evidence, we may submit that question to a jury.

For the foregoing reasons, we enter the following Order:

[fol. 46] ORDER

And now, to wit, this 1st day of June, 1961, IT IS ORDERED that the plaintiffs' motion to strike the defendant's demand for a trial by jury is hereby GRANTED. This action is to be heard on the merits by the Court sitting without a jury on June 27, 1961, at 10 a.m.

BY THE COURT:

/s/ HAROLD K. WOOD
J.

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fendants for use of a machine was null and void and that such action was, in effect, one for cancellation of a contract, a proceeding which is traditionally equitable in nature and plaintiff was not entitled to a jury trial.

[4] See *Greenhood* v. *Orr & Sembower, Inc.*, footnote 3, and *Crame Co.* v. *Alonzo H. Crane,* footnote 2, supra.

[fol. 48]

IN THE UNITED STATES COURT OF APPEALS

FOR THE THIRD CIRCUIT

DAIRY QUEEN, INC., a corporation, Petitioner,

vs.

THE HON. HAROLD K. WOOD, Judge of the United States District Court of the Eastern District of Pennsylvania, Respondent.

MEMORANDUM IN SUPPORT OF PETITION FOR WRIT OF MANDAMUS

STATEMENT OF QUESTIONS INVOLVED

1. Where plaintiff brings an action to recover an amount due under a contract for payments allegedly in default and in the same action seeks injunctive relief because of the alleged default, may the District Court properly refuse to grant defendant's demand for a jury trial?

2. Where plaintiff joins an equitable cause of action with a legal cause of action, and where in addition both involve a common, controlling issue of fact on which the defendant would be entitled to a jury trial, may the District Court properly refuse to grant defendant's demand for a jury trial?

[fol. 49]

STATEMENT OF CASE

Form of Action

This is a petition for a writ of mandamus arising out of the Judgment of the District Court for the Eastern District of Pennsylvania (Wood, J.) denying defendant's request for a jury trial.

Statement of Facts

The pertinent facts are set forth in the Petition for Writ of Mandamus. The essential facts are as follows:

1—Plaintiff alleges that defendant is in default to plaintiff under a contract (Complaint, paragraph 14); and plaintiff seeks to recover a balance in excess of $60,000.00 allegedly due it under the contract.

2—Plaintiff seeks an injunction enjoining the defendant from using a trademark licensed to defendant under the contract as to which plaintiff alleges default for non-payment of the amount which it seeks to recover as due under the contract.

3—Defendant in its Answer timely filed requested a trial by jury (Defendant's Answer, paragraph 28).

[fol. 50] 4—Plaintiff moved to strike the defendant's demand for trial by jury.

5—The Trial Court in an Order dated June 1, 1961 granted plaintiff's Motion to strike defendant's demand for a trial by jury.

ARGUMENT

It is well settled that the right to trial by jury is a Constitutional right, and that this right is one which the Federal Courts are required to protect. *Beacon Theatres, Inc.* v. *Westover,* 359 U.S. 500 (79 S.Ct. 948, 956), 1959. In support of this position, the Federal Courts, including the United States Supreme Court, have consistently held that the right to a trial by jury cannot be impaired by joining with a claim properly cognizable at law a demand for equitable relief, and this is particularly true where, as in the present case, joinder has been made of coordinate equitable and legal causes of action which involve a common, controlling issue of fact as to which there would normally be a right to a trial by jury.

Beacon Theatres, Inc. v. *Westover,* Supra
Ex parte Simons, 247 U.S. 231 (1918)

Scott v. *Neely*, 140 U.S. 106 (1891)
Leimer v. *Woods*, (8 Cir.) 1952, 196 F.2d 828

The following quotations from the United States Supreme Court opinion in the *Beacon Theatres* case and from [fol. 51] the opinion of the Court of Appeals for the Eighth Circuit in *Leimer* v. *Woods* state the rule very clearly.

"Since the right to jury trial is a constitutional one, however, while no similar requirement protects trials by the court, that discretion is very narrowly limited and must, wherever possible, be exercised to preserve jury trial. As this Court said in *Scott* v. *Neely*, 140 U.S. 106, 109-110: 'In the Federal courts this [jury] right cannot be dispensed with, except by the assent of the parties entitled to it, nor can it be impaired by any blending with a claim, properly cognizable at law, of a demand for equitable relief in aid of the legal action or during its pendency.'" (*Beacon Theatres* v. *Westover*) p. 510

"In the long range, if the right of trial by jury is actually to be preserved thus inviolate to the parties, its proclamation in legal letter can only be kept from becoming an artificiality by the accompaniment of a sympathetic judicial attitude. And such a hospitable spirit on the part of a court to a preserving generally of that inviolateness would seem naturally to suggest that, where joinder has been made of co-ordinate equitable and legal causes of action and some of such causes of action, as here, involve a common, controlling issue of fact, on which there normally is a right to a jury trial as to the legal cause of action, the question ordinarily should be deferentially allowed to be determined by a jury, rather than for the court, without some special reason or impelling circumstance in the situation, to undertake to foreclose it as a matter of res judicata by designedly proceeding to make a previous disposition of the equity cause of action.

"Any other viewpoint, we think, would not constitute a proper honoring of Rule 38(a), supra, and

would leave the court's contrary action, unless based upon some special prompting consideration in the particular situation, subject to the interpretation of a judicial desire to thwart or curb the right of jury trial in the case." (*Leimer* v. *Woods*, pp. 833 and 834)

In the present case there is no controversy as to the [fol. 52] existence of a claim cognizable at law. Plaintiff's Complaint clearly seeks recovery for an amount allegedly due it under a contract. The existence of this contract claim was recognized by the lower court in the following language:

"In 1954, it is alleged that the defendant breached the contract by failing to pay to the plaintiffs the minimum yearly sum required thereunder. * * * the complaint also demands the $60,000 now allegedly due and owing plaintiffs under the aforesaid contract."

At the same time Judge Wood recognized that a Complaint seeking damages for breach of a contract would clearly involve legal issues and defendant would be entitled to a jury trial of those issues. The exact language used by the Court was as follows:

"For example, if a complaint sought damages for breach of a contract, the issues in the case would clearly be legal and the plaintiff or defendant would be entitled to a jury trial of those issues."

It is clear that the factual question which must be determined before a final judgment can be entered is exactly the same in both the breach of contract legal cause of action and in the equitable cause which seeks injunctive relief. The only basis urged for the alleged right to injunctive relief is the alleged breach of the contract for failure to pay the very same amounts which plaintiff seeks to recover in the legal cause of action. If defendant is correct in its assertion that under the facts there has been no breach of contract, then plaintiff cannot prevail either in law or in [fol. 53] equity. What plaintiff seeks to do is to have the

Court determine this vital fact question without a jury which would effectively deny to defendant its Constitutional right to trial by jury, since the Court's determination would then be final in the legal cause of action through res adjudicata. Plaintiff's plan for avoidance of trial by jury has been approved in this case by the Order of Judge Wood. It is submitted that the Constitutional right of trial by jury will cease to exist if a defendant, as in the present case, can be effectively denied a trial by jury by the mere expedient of plaintiff joining an equitable cause of action with a legal cause of action. This is particularly disturbing where the equitable cause of action is founded on the same facts which determine the ultimate outcome of the legal cause of action.

The pattern present in the instant case is very similar to that in *Temperato* v. *Rainbolt*, 22 F.R.D. 57 (U.S.D.C., E.D. Illinois, 1958). The plaintiff was the holder of a franchise for the use of the name "Dairy Queen". He granted a sublicense to the defendant. The defendant refused to fulfill his obligations for the payments provided for under the license agreement and, in addition, continued the conduct of the Dairy Queen business. In its Complaint the plaintiff prayed for damages for breach of contract and for an injunction to restrain and enjoin unfair trade practices. The defendant demanded a jury trial. Plaintiff's motion to strike was denied. At page 59 the Court said:

> [fol. 54] "It is very clear that here the plaintiff seeks relief on both legal and equitable grounds. In the first count of the complaint the plaintiff alleges a contract and a breach thereof and prays relief for such breach. That this is a law matter is beyond dispute."

A photostat copy of the file copy of the Complaint which was filed in the foregoing case, showing the pertinent facts, is attached to this Memorandum.

The Authorities Relied Upon by Judge Wood Appear Inapposite

Judge Wood cites *Crane Co.* v. *Alonzo H. Crane, et al.*, 157 F. Supp. 293. This was an action for infringement of

a Federal trademark and sought to enjoin the infringement of the trademark and unfair competition in offering and selling heating products under the name of "Crane and "Crane Heating Co." The prayer was for an injunction, accounting, attorneys fees, expenses and costs, and for such other relief as the court may deem just. It is apparent that in the *Crane* case there was no contractual relationship between the parties and obviously no claim for any amount due and owing alleged to result from a breach of any contract. The issue of damages, as the court there said, was merely incidental to the equitable relief sought. That even the foregoing view is not universal is seen from *Russell* v. *Laurel Music Corp.*, 104 F. Supp. 815 (1952); *Bruckman* v. *Hollzer*, 152 F.2d 730; *Berlin* v. *Club 100, Inc.*, 12 F.R.D. 129; *Admiral Corporation* v. *Admiral Employment Bureau*, 151 F. Supp. 629.

[fol. 55] The other case relied upon by Judge Wood is *Greenhood* v. *Orr & Sembower, Inc.*, 158 F. Supp. 906 (U.S.D.C., Mass. 1958). Here the plaintiff sought to cancel an agreement licensing the defendant to use a patented drying machine because plaintiff alleged that he had been induced to enter into the agreement by fraudulent representations. Alternatively, plaintiff sought damages arising from the alleged misrepresentations in the event the court held the agreement valid. Aside from the distinction that in this case the plaintiff's claim did not arise under the terms of the agreement, it would further appear that the equitable relief sought, if granted, would completely dispose of the controversy by cancelling the contract. If otherwise, the decision would presuppose that there were no misrepresentations and therefore there could be no claim for damages. As was said at 908:

> "The primary relief requested here is a declaration that the franchise granted to defendants is null and void. The action is thus in effect one for cancellation or recision of a contract, a proceeding which is traditionally equitable in nature and in which plaintiff is not entitled to a jury trial, 5 Moore's Federal Practice, §38.23, page 183."

In effect, the plaintiff appeared to have had a choice of remedies and elected the equitable one. This is in sharp contrast to the present case in which the plaintiff seeks to recover a substantial sum allegedly due under the contract, and in the same action seeks to terminate the contract.

[fol. 56]

Conclusion

Plaintiff seeks to recover an amount allegedly due under a contract with defendant. In the same action, plaintiff seeks injunctive relief. Plaintiff also seeks to deny to defendant its Constitutional right to a trial by jury.

In granting plaintiff's Motion to strike defendant's demand for a jury trial, the lower court denied defendant its Constitutional right to trial by jury under the Seventh Amendment of the Constitution and thereby failed to comply with Rule 38 of the Federal Rules of Civil Procedure.

It is submitted that the denial of defendant's Constitutional rights should be corrected by a Writ of Mandamus issuing from this Court directing that the District Court Order of June 1, 1961, be vacated.

Respectfully submitted,

Michael H. Egnal, Attorney for Defendant-Petitioner.

[fol. 57]

ATTACHMENT TO MEMORANDUM

[Stamp—Filed Aug. 16, 1957—Clerk, U. S. District Court, Eastern District of Illinois]

IN THE DISTRICT COURT OF THE UNITED STATES

FOR THE EASTERN DISTRICT OF ILLINOIS

Civil No. 3887

Served 8-21-57

SAMUEL J. TEMPERATO, Plaintiff,

vs.

ROY C. RAINBOLT, Defendant.

COMPLAINT

Plaintiff says:

1. Plaintiff, Samuel J. Temperato, is a citizen and resident of the State of Missouri.

2. Defendant, Roy C. Rainbolt, is a citizen and resident of the State of Illinois and of the County of St. Clair within the Eastern Judicial District of Illinois.

3. The amount in controversy exceeds the sum of $3,000.00 exclusive of interest and cost.

4. On or about May 25, 1950, defendant, Roy C. Rainbolt, entered into a written contract and franchise agreement with W. J. Lanaghan under the terms of which said W. J. Lanaghan granted to defendant, Roy C. Rainbolt, a license and franchise, then owned by said W. J. Lanaghan, for the use of, among other things, the trade name "Dairy Queen" in the following described territory, to-wit: Dupo, Illinois, and the cities of Maplewood, Walnut Grove and Cahokia, Illinois, for a period of 10 years and in consideration of the granting of said franchise and other valuable considerations, defendant, Roy C. Rainbolt, agreed, among other things, to purchase or lease a lot and erect a suitable building in accordance with blue prints to

be approved by said W. J. Lanaghan and in such building prepare, compound, manufacture and sell an ice crean product, or frozen dairy product, by the use of an ice [fol. 58] cream mix or ice milk mix and pay to said W. J. Lanaghan a royalty of $0.39 for each gallon of such mix used in or about said premises. Defendant, Roy C. Rainbolt, further agreed that he would not use any other type or name of ice cream in the above mentioned territory in Illinois, during the life of said written contract, and that he would not directly or indirectly engage in any business within the above named territory in Illinois during the life of said written agreement in competition with the business of selling Dairy Queen products and that he would not sell any product or merchandise within the above mentioned territory during the period of said agreement without the written permission of said W. J. Lanaghan to the end that the good will of said W. J. Lanaghan and the value of the trade name belonging to him would be fully protected from competition by defendant, Roy C. Rainbolt. All of said promises and agreements were reduced to writing and a true and correct copy of the written contract and franchise agreement made and entered into by and between said W. J. Lanaghan and defendant, Roy C. Rainbolt, on May 25, 1950, is attached hereto, marked "Exhibit A" and by this reference incorporated herein and made a part hereof.

5. Thereafter, and on, to-wit: July 12, 1955, said W. J. Lanaghan, for a valuable consideration, assigned, set over and transferred to plaintiff, Samuel J. Temperato, all of his right, title and interest in and to said written contract and franchise agreement dated May 25, 1950, and plaintiff, Samuel J. Temperato, is now the sole owner of the trade name "Dairy Queen" within the aforesaid territory and of all of the rights, title and interest of said W. J. Lanaghan in and to said written contract and franchise agreement between W. J. Lanaghan and Roy C. Rainbolt. A copy of said assignment is attached hereto, marked "Exhibit B" and by this reference incorporated herein and made a part hereof.

6. Plaintiff, Samuel J. Temperato, and his assignor, W. J. Lanaghan, have duly performed all conditions and

promises on their part to be performed under said written contract and franchise agreement dated May 25, 1950.

[fol. 59] 7. On or about March 1, 1957, defendant, Roy C. Rainbolt, wrongfully and in breach and violation of the terms and provisions of said written contract and franchise agreement engaged in a business within the above mentioned territory in Illinois at, to-wit: 3700 Falling Springs, Maplewood, Illinois; in competition with the business of selling Daily Queen products and has continued to conduct said business to the present time. Defendant, Roy C. Rainbolt, commencing on or about March 1, 1957, and continuing to the present time, has further breached said written contract and franchise agreement by refusing to pay to plaintiff, Samuel J. Temperato, the royalty provided for in said written contract and franchise agreement.

8. By reason of the wrongful acts of defendant as hereinbefore set forth and of the breach by defendant of said written contract and franchise agreement, plaintiff, Samuel J. Temperato, has lost and will continue to lose and has been damaged by the loss of the aforesaid royalty payments and the profits, gains and avails which he otherwise would have received under the terms and provisions of said contract in the amount of to-wit: $8,427.24.

Wherefore plaintiff prays judgment against defendant in the sum of $10,000.00 and costs of suit.

Count II

Plaintiff says:

1. He repeats and realleges the allegations contained in paragraphs 1 to 3, both inclusive of Count I of this complaint.

2. Prior to and since on or about May 25, 1950, plaintiff and his predecessor and assignor have used the name "Dairy Queen" as applied to frozen ice milk products in the State of Illinois and more particularly in St. Clair County, Illinois, and in the Villages and Cities of Dupo, Maplewood, Walnut Grove and Cahokia, Illinois, and since that date have continuously engaged in the business of licensing the use of the name "Dairy Queen" in said ter-

ritory and supervising, inspecting and supplying various other services to licensed retail outlets using that name.

[fol. 60] 3. On or about May 25, 1950, one W. J. Lanaghan of Belleville, Illinois, who was then the owner of the trade name "Dairy Queen," within a territory including St. Clair County, Illinois, entered into a written contract and franchise agreement with defendant, Roy C. Rainbolt, whereby and whereunder said defendant acquired from said W. J. Lanaghan the exclusive right for a period of ten (10) years to use the trade name "Dairy Queen" in the territory described as, to-wit: Dupo, Illinois, and the cities of Maplewood, Walnut Grove and Cahokia, Illinois, which said agreement is attached hereto, marked "Exhibit A" and by this reference incorporated herein and made a part hereof.

4. On or about July 12, 1955, plaintiff, Samuel J. Temperato, acquired by assignment for valuable consideration from said W. J. Lanaghan and Blanche B. Lanaghan, his wife, their rights and interest in and to the exclusive use of the trade name "Dairy Queen" in St. Clair County, Illinois, and all of their right, title and interest in and to said written contract and franchise agreement dated May 25, 1950, with defendant, Roy C. Rainbolt.

5. Prior to and after July 12, 1955, plaintiff has continuously used the trade name "Dairy Queen" in connection with the sale to the public of frozen milk products and plaintiff has acquired and entered into numerous franchise agreements with certain "store franchise operators" by and under the terms of which agreements the store operators were licensed to use the trade name "Dairy Queen" in connection with the sale at retail of ice milk to the public including the franchise agreement with defendant, Roy C. Rainbolt.

6. Defendant, Roy C. Rainbolt, commencing on May 25, 1950, and at all times thereafter up to and including March 1, 1957, sold to the public ice milk products under the name "Dairy Queen" all under and pursuant to the terms of said written contract and franchise agreement dated May 25, 1950, and a copy of which is attached hereto as "Exhibit A."

[fol. 61] 7. Plaintiff and his predecessor and assignor have prepared plans and specifications of a distinctive prototype building on which the name "Dairy Queen" is prominently displayed to be used by all store operators and blue print copies of said plans and specifications have been delivered by plaintiff to each store operator in his territory, including defendant, Roy C. Rainbolt, to be used by them in the construction of the store buildings in which the ice milk product known as "Dairy Queen" is sold; such plans and specifications were delivered to defendant and used by him in the construction of his store building; plaintiff and his predecessor and assignor have spent large sums of money advertising and promoting the name "Dairy Queen" in St. Clair County, the State of Illinois and throughout the United States and they have spent large sums and have devoted substantial amounts of their time to the inspection of all "Dairy Queen" stores, including that of defendant, in order to insure uniformity and quality of the product sold and to insure that the stores are kept clean and attractive; they have spent substantial amounts of time and money in the development, improvement and promotion of the product used in the sale of ice milk at retail and known publicly as "Dairy Queen," and in the development of the mix used by the store operators, including defendant, and in the development of uniform designs and marking for containers in which the product is sold to the public, and in the training and education of store franchise operators and their employees in the proper operation of the local stores.

8. By reason of the efforts of plaintiff and his predecessor and assignor and others engaged in the Dairy Queen business, and the expenditures of large sums of money, the name "Dairy Queen" has become associated in the minds of the public with a uniform product of consistent high quality sold only at clean and attractive stores of uniform design operated by persons following identical sales and operating methods, and the consuming public throughout the State of Illinois and the United States now regards all articles sold under the name "Dairy Queen" as the products of one organization.

[fol. 62] 9. Due to the skill, expert workmanship and high quality of the ice milk products manufactured and sold pursuant to "Dairy Queen" franchises and license agreements under the name "Dairy Queen" and by reason of the integrity, progressiveness and ability of plaintiff and his predecessor and assignor, and extensive and continuous advertising, the trade name "Dairy Queen" has acquired a secondary signification and meaning throughout the country and with the public generally as an understood reference to and indicating an ice milk product of exceptionally high quality, purity and tastefulness.

10. The trade name "Dairy Queen" has become and is a substantial part of plaintiff's valuable good will, assets and reputation.

11. By reason of his continuous operation from May 25, 1950, to and including March 1, 1957, under the terms of the aforesaid written contract and franchise agreement dated May 25, 1950, defendant was, at all times, and is, well acquainted and familiar with the mode of operation, unique characteristics, advertisements and sources of supply of plaintiff and his predecessor and assignor.

12. On or about March 1, 1957, defendant, disregarding the rights of plaintiff, announced that thereafter he would continue in the business of manufacturing and selling an ice milk product in the same store at the same location that he had theretofore been operating as a Dairy Queen store but that he would refuse to pay plaintiff any royalties as provided for in said written contract and franchise agreement dated May 25, 1950.

13. Beginning on or about March 1, 1957, and continuously thereafter, defendant, Roy C. Rainbolt, has manufactured and sold to the public in Maplewood, Illinois, an ice milk product identical in appearance and similar in taste to plaintiff's product and is thereby engaged in actual and unlawful competition with plaintiff and his duly licensed and franchised "Dairy Queen" store operators.

14. Defendant has adopted the trade name "Dairy Cream" for the advertising and sale of his products in the same store and at the same location which he operated

as a "Dairy Queen" store for seven (7) years under the [fol. 63] aforesaid written contract and franchise agreement, and with the intent to confuse, mislead and defraud the customers and the public by misrepresentation, infringement and palming off of his products for those of plaintiff, has wrongfully and unlawfully adopted said name "Dairy Cream" which bears confusing or likely to be confusing similarity to plaintiff's trade name "Dairy Queen" and has thereby engaged in unfair trade practices and unfair competition against plaintiff to plaintiff's irreparable damage.

15. Defendant, by the aforesaid unlawful and wrongful infringement and unlawful, wrongful and unfair competition, conduct and practices is endeavoring to and has unlawfully appropriated to himself the good will, assets and reputation heretofore established, promulgated and earned by plaintiff and his predecessor and assignor in said trade name "Dairy Queen."

16. By reason of the premises and the said unlawful, unfair and wrongful acts, conduct and practices of defendant, plaintiff, Samuel J. Temperato, has sustained, and will continue to sustain, great and irreparable loss, injury and damage amounting to in excess of $25,000.00.

17. On March 5, 1957, and thereafter, notice was given defendant by plaintiff objecting to his unfair and unlawful use of the aforesaid name "Dairy Cream" in marketing his product in direct competition with plaintiff's products and notifying him to cease and desist from the use of the name "Dairy Cream" in connection with said business, but defendant has wholly failed to cease said infringement and unlawful and unfair trade practices and competition.

Wherefore plaintiff prays that the court will, by its orders and judgments duly entered herein:

A. Grant and issue a preliminary and permanent injunction restraining and enjoining defendant, his agents, servants, and employees during the pendency of this action and permanently from infringing plaintiff's trade name [fol. 64] "Dairy Queen" by the use of the name "Dairy Cream" or any other name confusingly similar or likely to

be confusingly similar to plaintiff's trade name "Dairy Queen" and from engaging further in said unlawful, wrongful and unfair trade practices and competition;

B. Enjoin and restrain defendant, his agents, servants and employees, until May 25, 1960, from directly or indirectly, within the franchise territory described herein, from engaging in the sale to the public of any hard, soft or semi-frozen ice milk, ice cream, custard product, or anything similar thereto;

C. In the alternative order and direct defendant to pay into the registry of the court during the pendency of this action, the royalties required under the terms of the written contract and franchise agreement dated May 25, 1950;

D. Require defendant to account for all gains, profits and advantages made by defendant by reason of the acts complained of and order, direct and require defendant to forthwith pay to plaintiff such sums and accounts as shall be found to be due and owing from defendant upon such accounting;

E. Enter judgment in favor of plaintiff and against defendant in the sum of $25,000.00 and costs of suit; and

F. Grant plaintiff such other, further and different relief as the facts and law require.

Harold J. Abrams, 418 Olive Street, St. Louis 2, Missouri; John M. Ferguson, 234 Collinsville Avenue, East St. Louis, Illinois; Harold G. Baker, Jr., 234 Collinsville Avenue, East St. Louis, Illinois, Attorneys for plaintiff, Samuel J. Temperato.

Baker, Kagy & Wagner, 234 Collinsville Avenue, East St. Louis, Illinois; Blumenfeld & Abrams, 418 Olive Street, St. Louis 2, Missouri, Of Counsel.

[fol. 65]
United States of America)
Eastern District of Missouri) ss.:
County of St. Louis)

Samuel J. Temperato, of lawful age, being first duly sworn on oath deposes and says that he is the plaintiff in the above and foregoing action, that he has read and examined the foregoing complaint and that the matters and things set forth therein are true.

SAMUEL J. TEMPERATO

Subscribed and sworn to before me this 15th day of August, 1957.

JEAN AUBUCHON, Notary Public

My commission expires 5-4-58

[fol. 66]

UNITED STATES COURT OF APPEALS

FOR THE THIRD CIRCUIT

No. 13643

DAIRY QUEEN, INC., Petitioner,

vs.

THE HON. HAROLD K. WOOD, Judge of the United States District Court of the Eastern District of Pennsylvania.

ORDER DENYING PETITION FOR WRIT OF MANDAMUS—
June 22, 1961

Present: Goodrich, McLaughlin and Kalodner, Circuit Judges.

Upon consideration of the petition by Dairy Queen, Inc., for a writ of mandamus, and of the memorandum in support of the petition,

It is Ordered that the petition for a writ of mandamus be and it hereby is denied.

By the Court,

Goodrich, Circuit Judge.

Dated: June 22, 1961.

[fol. 67] Clerk's Certificate to foregoing transcript omitted in printing.

[fol. 68]

SUPREME COURT OF THE UNITED STATES

ORDER ALLOWING CERTIORARI—Filed October 16, 1961

The petition herein for a writ of certiorari to the United States Court of Appeals for the Third Circuit is granted, and the case is transferred to the summary calendar.

And it is further ordered that the duly certified copy of the transcript of the proceedings below which accompanied the petition shall be treated as though filed in response to such writ.